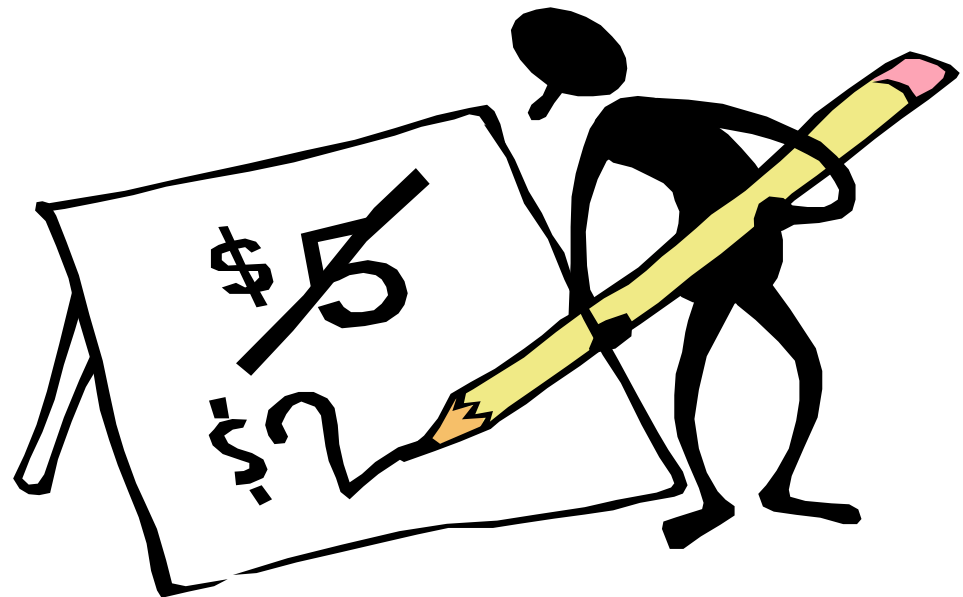


Capturing Revenue & Maximizing Bad Debt with Discounted Fee Schedule

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What is a Discounted Fee Schedule?

- ❑ Clinic specific discounts to address how to equitably charge patients for services rendered.



Requirements

- ❑ The discounts must be in writing.
- ❑ Fees are set based on federal poverty guidelines.
- ❑ Eligibility is determined by annual income and family size.
- ❑ Non-discriminatory, uniform, and reasonable.
- ❑ Discount is consistently and evenly applied on a routine basis.
- ❑ The clinic must post a notice in a clearly visible location that informs patients of the Discounted Fee Program

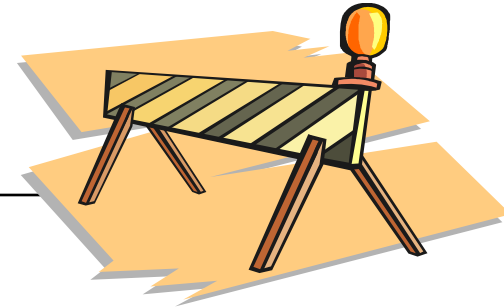
Recommendations

- ❑ A nominal fee be assessed to patients whose income and family size place them below poverty. A typical nominal fee is between \$7.00 - \$15.00.
- ❑ Patients between 101% - 200% of poverty are expected to pay some percentage of the full fee.
- ❑ A discounted fee schedule applies only to amounts assessed to the patient.
- ❑ Billing for third party coverage, i.e. Medicare, Medicaid, private insurance carriers, etc., is set at the usual and customary full charge.

Why would I want this in my clinic?

- ❑ This is a requirement to participate in the National Health Service Corps. Loan Repayment and Scholarship programs.
- ❑ It allows your providers to treat patients and not worry about their ability to pay for the service.
- ❑ It allows the clinic to collect something.
- ❑ It can improve your clinic's image – you will be viewed as charitable.

Barriers to Implementation



- ❑ Staff are resistant
- ❑ People believe that patient's are out to cheat them
- ❑ The burden of implementation falls on the front office staff
- ❑ Decreases bad debt write-off
- ❑ Fear that this is in violation of the Federal anti-kickback statute

Office of Inspector General (OIG) and Anti-kickback statute

- ❑ Document published 02/2004 for hospitals is the guidance that is used for other Medicare providers.
- ❑ There is nothing that restricts hospitals, i.e. Medicare providers from offering discounts to uninsured patient who are unable to pay their hospital/clinic bills.
- ❑ No OIG rule or regulation requires a hospital/clinic to engage in any particular collection practices.
- ❑ Fraud and abuse laws clearly permit the waiver of all or a portion of a Medicare cost-sharing amount for a financially needy beneficiary and this is not limited to indigence. This can include any reasonable measures of financial hardship.

OIG Opinion



- ❑ A routine waiver of Medicare coinsurance and deductibles can violate the Federal anti-kickback statute – if one purpose of the waiver is to generate business payable by a Federal health care program. There are *two* important *exceptions* to the general prohibition against waiving Medicare coinsurance and deductibles 1) financial hardship and 2) inpatient hospital services.

OIG Opinion

- Medicare cost-sharing amounts may be waived so long as:
 - ◆ The waiver is not offered as part of any advertisement or solicitation;
 - ◆ The provider does not routinely waive coinsurance or deductible amounts; and
 - ◆ The coinsurance and deductible amounts are waived after determining in good faith that the individual is in financial need or reasonable collection efforts have failed.

Medicare Bad Debt and Charity Care

- ❑ The CMS FLASH March 2005 state, “The provider should apply its customary practices for determining indigency”.
- ❑ The amount the clinic decides, pursuant to its policy, not to collect from the patient can be claimed by the provider as Medicare bad debt.
- ❑ The provider must, however, engage in a reasonable collection effort to collect the remaining balance.
- ❑ Remember, only Medicare Bad Debt can be claimed on the RHC Medicare Cost Report.

Developing the Discounted Fee Program

- Educate staff:
 - ◆ What is a Discounted Fee Program
 - ◆ What is the advantage to our practice
 - ◆ What role do I play
 - ◆ Why am I important
- Develop a written policy that is non-discriminatory and that clearly outlines how the discounts will be applied.

Policy Development

- ❑ Must use the HHS federal poverty guidelines.
- ❑ The policy should include the procedure for qualifying for discounted fees, how the discounts will be determined and what documentation is required for determining the discount percentage.
- ❑ The policy should also include a process for re-certifying clients for the discounted fee program.

Federal Poverty Guidelines

- HHS issues the guidelines annually in early February. <http://aspe.hhs.gov/poverty/>
- Based on income thresholds used by the Census Bureau to estimate people in poverty.

Determining Eligibility

- ❑ Count mother, father, and dependent children under 18 as the family. Other adults in the household, even though related, are considered separately.
- ❑ Eligibility can be based on current participation in certain federal/state public assistance programs: Social Security Income (Disability); Temporary Assistance for Needy Families; Free or Reduced School Lunch Program; or other public assistance programs.

Determine Eligibility – cont.

- ❑ Patient's word
- ❑ Tax returns
- ❑ Current pay stubs



Whatever criteria you use, it must be applied consistently across all patients and payers.

2007 HHS Poverty Guidelines

Persons in Family or Household	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$10,210	\$12,770	\$11,750
2	13,690	17,120	15,750
3	17,170	21,470	19,750
4	20,650	25,820	23,750
5	24,130	30,170	27,750
6	27,610	34,520	31,750
7	31,090	38,870	35,750
8	34,570	43,220	39,750
For each additional person, add	3,480	4,350	4,000

SOURCE: *Federal Register*, Vol. 72, No. 15, January 24, 2007, pp. 3147–3148

Sample Schedule of Income Thresholds Based upon 2007 Federal Poverty Guidelines Six Discounted/Sliding Fee Pay Classes

Annual Income Thresholds by Sliding Fee Discount Pay Class and % of Poverty						
Family Unit Size	Minimum Fee	20% pay	40% pay	60% pay	80% pay	100% pay
Poverty	100%	125%	150%	175%	200%	201%
1	\$10,210	12,763	15,315	17,868	20,420	20,421
2	13,690	17,113	20,535	23,958	27,380	27,381
3	17,170	21,463	25,755	30,048	34,340	34,341
4	20,650	25,813	30,975	36,138	41,300	41,301
5	24,130	30,163	36,195	42,228	48,260	48,261
6	27,610	34,513	41,415	48,318	55,220	55,221
7	31,090	38,863	46,635	54,408	62,180	62,181
8	34,570	43,213	51,855	60,498	69,140	69,141
The co-payment for those below 100% of poverty is \$_____.						

Note: The income ceiling for the minimum fee pay class is equal to the federal poverty level.
The 2007 federal poverty guideline increases by \$3,480 for each family member.

Monthly Income Thresholds by Sliding Fee Discount Pay Class and % of Poverty						
Family Unit Size	Minimum Fee	20% pay	40% pay	60% pay	80% pay	100% pay
Poverty	100%	125%	150%	175%	200%	201%
1	851	1,064	1,276	1,489	1,702	1,703
2	1,141	1,426	1,711	1,996	2,282	2,283
3	1,431	1,789	2,146	2,504	2,862	2,863
4	1,721	2,151	2,581	3,011	3,442	3,443
5	2,011	2,514	3,016	3,519	4,022	4,023
6	2,301	2,876	3,451	4,026	4,602	4,603
7	2,591	3,239	3,886	4,534	5,182	5,183
8	2,881	3,601	4,321	5,041	5,762	5,763
The co-payment for those below 100% of poverty is \$_____.						

Note: The monthly schedule is equal to the annual schedule divided by 12 months.

Sample Schedule of Income Thresholds Based upon 2007 Federal Poverty Guideline Five Discounted/Sliding Fee Pay Classes

Annual Income Thresholds by Sliding Fee Discount Pay Class and % of Poverty					
Family Unit Size	Minimum Fee	25% pay	50% pay	75% pay	100% pay
Poverty	100%	133%	166%	200%	201%
1	\$10,210	13,579	16,949	20,420	20,421
2	13,690	18,208	22,725	27,380	27,381
3	17,170	22,836	28,502	34,340	34,341
4	20,650	27,465	34,279	41,300	41,301
5	24,130	32,093	40,056	48,260	48,261
6	27,610	36,721	45,833	55,220	55,221
7	31,090	41,350	51,609	62,180	62,181
8	34,570	45,978	57,386	69,140	69,141
The co-payment for those below 100% of poverty is \$_____.					

Note: The income ceiling for the minimum fee pay class is equal to the federal poverty level. The 2007 federal poverty guideline increases by \$3,480 for each family member.

Monthly Income Thresholds by Sliding Fee Discount Pay Class and % of Poverty					
Family Unit Size	Minimum Fee	25% pay	50% pay	75% pay	100% pay
Poverty	100%	133%	166%	200%	201%
1	851	1,132	1,412	1,702	1,703
2	1,141	1,517	1,894	2,282	2,283
3	1,431	1,903	2,375	2,862	2,863
4	1,721	2,289	2,857	3,442	3,443
5	2,011	2,674	3,338	4,022	4,023
6	2,301	3,060	3,819	4,602	4,603
7	2,591	3,446	4,301	5,182	5,183
8	2,881	3,832	4,782	5,762	5,763
The co-payment for those below 100% of poverty is \$_____.					

Note: The monthly schedule is equal to the annual schedule divided by 12 months.

HEALTH CONSULTING STRATEGIES, INC.						
TITLE: Patient Assistance Plan					EFFECTIVE DATE: 10/01/2008	
CATEGORY: Administrative					POLICY NUMBER:	
REVIEWED BY:	Advisory Group	Advisory Group	Advisory Group	Advisory Group	Advisory Group	
DATE						

POLICY:

To provide essential services regardless of the patient's ability to pay. Discounts are offered depending upon family income and size. A sliding fee schedule is used to calculate the basic discount and is updated each year using the federal poverty guidelines. Once approved, the discount will be honored for six months, after which the patient must reapply.

PROCEDURE:

1. A completed application including required documentation of the home address, household family income, and insurance coverage must be on file and approved by the Practice Supervisor before a discount will be granted. If the applicant appears eligible for Medicaid, a written denial of coverage by Medicaid may also be required.
2. The discount is applied to all in-office services supplied by Center providers.
3. Sample medications are provided without charge.
4. The discount is applied to in-office laboratory services. Reference laboratory tests and consulting diagnostic interpretations are excluded.
5. The discount is not applied to injections, purchased medications, out-of-office referred care (emergency room, hospital care, specialty care) and diagnostic tests such as CAT scans and MRIs.

Notice to Patients

**HEALTH CONSULTING STRATEGIES, INC. offers
a Patient Assistance Program.**

**Discounts for essential services are offered
depending upon family size and income.**

You may apply for a discount at the front desk.

HEALTH CONSULTING STRATEGIES, INC.

1137 De Groff Street • Grand Ledge, MI 48837
PH.: 517-627-7841

PATIENT ASSISTANT PLAN APPLICATION

Name of Head of Household		Place of Employment		
Street	City	State	Zip	Phone
Health Insurance Plan		Social Security Number		

Please list spouse and dependents under age 18

Name	Date of Birth	Name	Date of Birth
Self		Dependent	
Spouse		Dependent	
Dependent		Dependent	
Dependent		Dependent	

Annual Household Income

Source	Self	Spouse	Other	Total
Gross wages, salaries, tips, etc.				
Social security, pension, annuity, and veteran's benefits.				
Alimony, child support, military family allotments.				
Income from business self-employment and dependents.				
Unemployment, worker compensation, strike benefits.				
Rent, interest, dividend, and other income.				
Total Income				

Verification Checklist (attach copies)	Yes	No
Identification/Address: Driver's license, birth certificate, employment ID, social security card, other.		
Income: Prior year tax return, three most recent pay stubs, or other.		
Insurance: Insurance card(s)		
Medicaid: Application made or evidence of rejection.		

I certify that the information shown above is correct and understand verification is required for approval.

Name	Signature	Date
Pay class approved:	Effective Date:	Recertification Date:

Recap

- ❑ A discounted fee schedule is required for participation in NHSC Loan Repayment and Loan Forgiveness Programs
- ❑ Must be based on the Federal Poverty Guidelines
- ❑ The Clinic can set the discount amount.
- ❑ Must be applied uniformly across all payers.
- ❑ The discounted fee schedule must be updated annually.
- ❑ Patient eligible must be updated at a minimum of annually.
- ❑ When applying your Discounted Fee criteria to Medicare patients, that amount which you have determined not to collect base on your criteria can be claimed as “Bad Debt” on your RHC Medicare Cost Report.

Thank you to the Idaho Rural Health Association!

